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A REVIEW OF THE ORGANIZATION OF COMMUNICATIONS AND PUBLIC INFORMATION SERVICES AND THE ADVERTISING PURCHASING SYSTEM FOR THE GOVERNMENT OF MANITOBA

PREPARED FOR THE DEPARTMENT OF CULTURE, HERITAGE AND RECREATION

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EXECUTIVE SUMMARY

This report presents the results of our assessment of the organization of the communications and public information functions in the Manitoba government.

The focus is on the central services functions, and on how the line departments interact with those central services functions.

As government has become both larger and more specialized, the need for communications has also grown. We believe that a properly-managed communications function is a necessary part of modern government. Indeed, we would argue that governments should spend less time being sensitive about the communications function and more time managing it more efficiently.

The communications function must also be placed into the context of the broader management issue of the relationship between central services and line departments in government. Central services, like Treasury Board or purchasing bureaus, can influence how a line department actually spends the money voted by the Legislature, and there will always be at least the potential for tension between central services and line functions.

For the communications function, no less than for any other function, it will be important to strike the proper balance between what is done by line departments and what is done centrally.

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Our report is basically divided into two main areas -- a general review of the organization of the communications and information function, and then a more detailed review of the advertising purchasing function.

While we have made some recommendations as to struc-

ture, our primary focus has been on improving the management information system related to the communications functions, so that the information needed to manage them more efficiently becomes a regular output of the system itself.

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In reviewing the structure and management of the communications function in Manitoba Government departments, we found 111 staff years (including administrative support) that could be considered as allocated to the function -- 73 in line departments and 38 in central services. The total spending by all departments, including salaries, operating expenses, advertising, and printing, is estimated at about $14 million in fiscal year 1988-89.

Those figures mean that communications staff years account for about seven-tenths of one per cent of the total number of persons in the provincial civil service, and communications spending accounts for about three-tenths of one per cent of the total provincial budget.

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The central services for communications are contained in the Executive Council and in the Department of Culture, Heritage and Recreation.

Executive Council has the Premier's Press Officers and the Communications Secretary to the Cabinet. The Department of Culture, Heritage and Recreation has the Assistant Deputy Minister/Queen's Printer, an in-house consultant, Client Support Services, and Communications Advisory Services. Those latter two branches contain the sections that advise on, tender, purchase, and produce communications materials.

There is also a Communications Review Committee, to aid in coordinating the various functions.

Almost all departments have communications direct-

ors, and in most cases they are regarded as part of their department's senior management group.

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Based on our review of material and extensive interviews and discussions, we identified a number of general issues relevant to the communications functions in the provincial government.

We reviewed the 1987 proposal to have all communications personnel report to a central authority and then be assigned back to departments. We do not believe that would be effective, and so we have recommended that departmental communications personnel should remain in departments as part of the staff of the line departments.

We have also recommended that departmental communications directors should be part of the senior management group in each department.

We found that the way that data are kept on a variety of communications expenditures is inconsistent from department to department, and so we have recommended more detailed expenditure breakdowns for this function by the line departments.

We found, for 1987-88, too many cases of projects that had been cancelled after considerable creative and production work had already been done, so we have recommended improved planning procedures and greater involvement of senior department managers in that planning.

At the present time, the Client Support Services and Communications Advisory Services branches each contain a mixture of advisory/tendering/purchasing functions and production functions. We believe the organization can be simplified by grouping all purchasing functions together into a branch to be called Purchasing, and all production functions together into a branch to be called Production.

This will make it easier for departments to access

the services, and will also allow a better long-term assessment of the cost-recovery production functions; the government will then be able to make more informed decisions on whether a particular job should be done in-house or by an outside supplier.

We believe the central services functions, particularly the purchasing function, can be regarded to some extent as a front-line extension of the Treasury Board mandate for controlling expenditures. In support of that concept, we endorse the plans by the Department of Culture, Heritage and Recreation to implement a computerized job-tracking system to assist in monitoring expenditures.

In order to provide a back-up mechanism for special communications needs, we have recommended that the in-house consultant position should have a closer working relationship with Information Services Branch.

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The current Manitoba government advertising purchasing system may be characterized as one which uses in-house media buying, and fees as the method of compensation for the outside advertising agencies which do the planning and creative work.

The method of compensation, and the method of media buying, are two separate issues, since different compensation systems can be used in combination with either in-house or outside media buying.

On the question of whether or not the government should continue to use fees, or should use the older commission system, we found that fees made more sense, in terms of direct cost comparisons, in terms of fairness to outside suppliers, and in terms of the ability to track fees as a way of monitoring expenditures.

On the question of whether or not the government should continue to use an in-house media buying office,

or consider an outside agency-of-record or media buying service, we set out a number of detailed parameters and concerns that have to be addressed before a firm decision can be made. As part of that process, we recommended that government officials should hold informal discussions with potential private suppliers, to assess cost estimates and other proposals, but should stop short of a formal tendering process at this time.

Finally, we noted the high concentration of advertising agency fees in 1987-88. We recommended that it be made easier to focus public scrutiny on this issue, by requiring the Department of Culture, Heritage and Recreation to publish a statistical review of fees paid to ad agencies by departments and crown corporations, in its annual report.

I. INTRODUCTION

This report presents the results of our assessment of the current communications and information structure in the Manitoba Government. We should begin by defining what is meant by 'communications and information' in the context of this analysis.

The report deals with the advertising and public information activities of the provincial government, with particular emphasis on the central services functions; the activities of the line departments are also reviewed, in terms of how they interact with central services, and also in terms of general management issues.

While we will be dealing with structural questions, the main focus of this report is not on the creation of some grand design for the communications and public information function -- our concerns with structure relate more to the question of the impact that the structure may have on the ability to manage the functions efficiently and effectively.

COMMUNICATIONS IN THE CONTEXT OF MODERN GOVERNMENT

Too often in recent years, government communications programs, and the people who work on those programs, have become the targets of those in government or in opposition who want to criticize the performance or perceptions about the government itself.

How often have we heard a member of the party in power complain, "We're really doing a good job; we just haven't communicated it well enough." And how often have we heard opposition members decry "government propaganda" when their real target is not the communications program but the policy on which the program is based. All polit-

ical parties have been guilty of these characterizations.

Certainly, there have been some occasions when a particular communications program might have appeared more partisan and less informative than we would like, but in most cases, government information programs have been a necessary and proper component of modern government.

Adequate information is essential so that general and specific publics may understand government policy, respond to government proposals, and influence government programs.

Good communications is a fundamental component in the achievement of public policy objectives. And communications planning, coordination, and execution are therefore an integral part of the management process of government.

Government has changed dramatically over the last 25 years. Not only are we living in the age of 'big government', but we are also living in the age of specialized government. Many government programs have become not only very specialized in terms of their subject matter, but also very specific in terms of the segments of the public that want and need to receive information about those programs.

Table 1, on page 3, indicates how the Manitoba Government has grown since 1965, in terms of the number of civil servants employed by the Province. While many of those civil servants are working on programs that affect the general public, a substantial number are working on programs that affect specific publics, or that are highly specialized.

Both the size and the specialization of government have increased the requirements for effective communications -- and those communications range from the classic

Table 1. Number of civil servants, Manitoba Government, 1965 to 1988.

Year	Number of civil servants
1965	6,669
1970	9,622
1975	12,886
1980	11,866
1985	14,508
1988	15,392

Source: Manitoba Civil Service Commission; data include full-time and part-time civil servants and term employees, but do not include 'departmental' or casual employees.

simple notices and tenders, to advertising aimed at attracting more tourists to the province, to public information campaigns which have to make complicated or technical information meaningful to the general public.

Because it is a necessary function of modern government, we believe that communications should be spared some of the unfair criticisms alluded to above. But we believe equally that the communications function should be organized and run in a professional manner, and should also be subject to proper management criteria. In other words, governments should spend less time being sensitive about the communications function and more time managing it more efficiently.

CENTRAL SERVICES AND DEPARTMENTAL FUNCTIONS

While the growth of government and its specialization have given rise to new and varied communications requirements, the communications function will also be

influenced by broader management issues that affect all government operations.

One of the most important of those issues is the relationship between the central services of government and the line functions of the various departments. Those central services include operations like the Treasury Board, purchasing bureaus, and similar functions.

Inevitably, there will be at least the potential for tension between those central services and the line functions of the departments. After all, if a department has a specific spending item in its budget, duly voted by the Legislature, and if that item is then further approved by Treasury Board, it may still have to be processed by another, central service department, before the actual expenditure may take place.

In most cases, the purchasing process, and the involvement of the central service department, is quite simple and straightforward. But there are times that the people doing the purchasing feel that their mandate requires them to raise questions about the price or quantity or specifications for a particular purchase. Most often, those questions are raised when specifications do not follow the procedures spelled out in the Government's General Manual of Administration, or if particular requisitions are not completed fully.

Thus, the interaction between central services and line functions can become a source of tension, even though each department is doing precisely what it was mandated to do by the Legislature.

For the communications function in government, no less than for any other function, it will be important to strike the proper balance between what is done by line departments and what is done centrally.

HOW THIS REPORT IS ORGANIZED

This report has been divided into two main chapters.

Chapter II, which follows this introductory chapter, deals in a general way with the organizational structure of the communications and information function in the Manitoba Government.

Chapter III deals in much greater detail with the advertising purchasing function of the provincial government.

And, finally, Chapter IV provides a brief summary of our recommendations.

II. STRUCTURE AND MANAGEMENT

This chapter provides a general overview of the organizational structure of the communications function in the Manitoba Government as of the first quarter of calendar 1989 (which corresponds to the last quarter of the 1988-89 fiscal year).

In Chapter III, which contains the more detailed analysis of the advertising purchasing function, we have used the 1987-88 fiscal year as the basis for analysis, since that function has not changed in the last year, and since that provides complete data for a full fiscal year.

In the case of the general overview of departments and central services in this chapter, we found that there had been a considerable number of changes over the last year, and it was more appropriate to describe the organizational structure as it currently functions.

The changes over the last year include some reallocation of functions between and among departments, as well as general reductions in the levels of staffing and expenditures.

The analysis which follows is based on our review of numerous documents, material prepared for departmental Estimates, and interviews with virtually all of the departmental communications directors, as well as extensive discussions with personnel in central services functions.

A BRIEF HISTORY

In terms of general organizational structure, the communications and information structure within the provincial government did not change substantially from the late 1960's to the early 1980's -- a period that spanned three provincial administrations. While there was growth

in the numbers of people and budgets, the general structure did not change substantially over that period.

In terms of coordination of message, the chief responsibility fell to the government's Information Services Branch. This branch handled government news releases, and its staff divided the government departments among themselves, to provide assistance to the departments.

Most departments did not have communications branches, although there were exceptions -- Agriculture, with its substantial extension services requirement, and Tourism, with its mandate to attract tourists, were two such exceptions.

The management of the output of material -- the purchasing function -- was the responsibility of the Queen's Printer, whose mandate under The Public Printing Act had for many years included government printing and advertising.

In 1973, the government created the Advertising Audit Office, a four-person office whose functions included media buying and monitoring of government advertising spending. In effect, this office brought the purchasing function for advertising in line with the longer-established purchasing function for printing.

After 1982, however, the organizational structure for communications in the Manitoba Government began to change in a substantial way. It was decided that all departments should have communications functions, and the role of the Information Services Branch was changed accordingly.

Subsequently, and almost as a reaction to the decentralization noted above, the government combined a number of central services into two branches -- Communications Advisory Services and Client Support Services -- each of which contained some planning/monitoring/tendering func-

ions, and each of which contained some production units for which departments were charged on a cost-recovery basis.

All of the functions that were combined into the two branches had existed before, and there was no doubt a rationale for combining them. With the benefit of hindsight, however, we can see now that combining these functions increased the tensions in the system between central services and line functions.

Departmental communications people often see themselves as having to negotiate a set of hurdles to complete the tasks demanded of them by program managers or senior officials. When the various central services functions were first combined, the perception of many departmental communications people was that a number of smaller hurdles had been replaced by two large hurdles -- and they were not always certain which hurdle had to be approached first.

By the end of 1987, the department containing most of the central communications services was proposing a further degree of centralization, under which communications personnel would all become part of a central government agency, and would be assigned to departments. It was argued that such further centralization would:

a) provide greater coordination of message and spending;

b) provide greater flexibility in terms of moving information personnel across departmental lines as required; and

c) save money.

This proposal was not implemented, primarily because of the change in government in 1988. Not surprisingly, the centralization proposal created a considerable degree of uncertainty for government communications personnel.

THE SITUATION TODAY

The organizational structure for Manitoba Government communications is described in Figure 1, on page 10. We can see that personnel and functions are divided among the various departments of government, and a number of central services which are contained in the Executive Council and the Department of Culture, Heritage and Recreation.

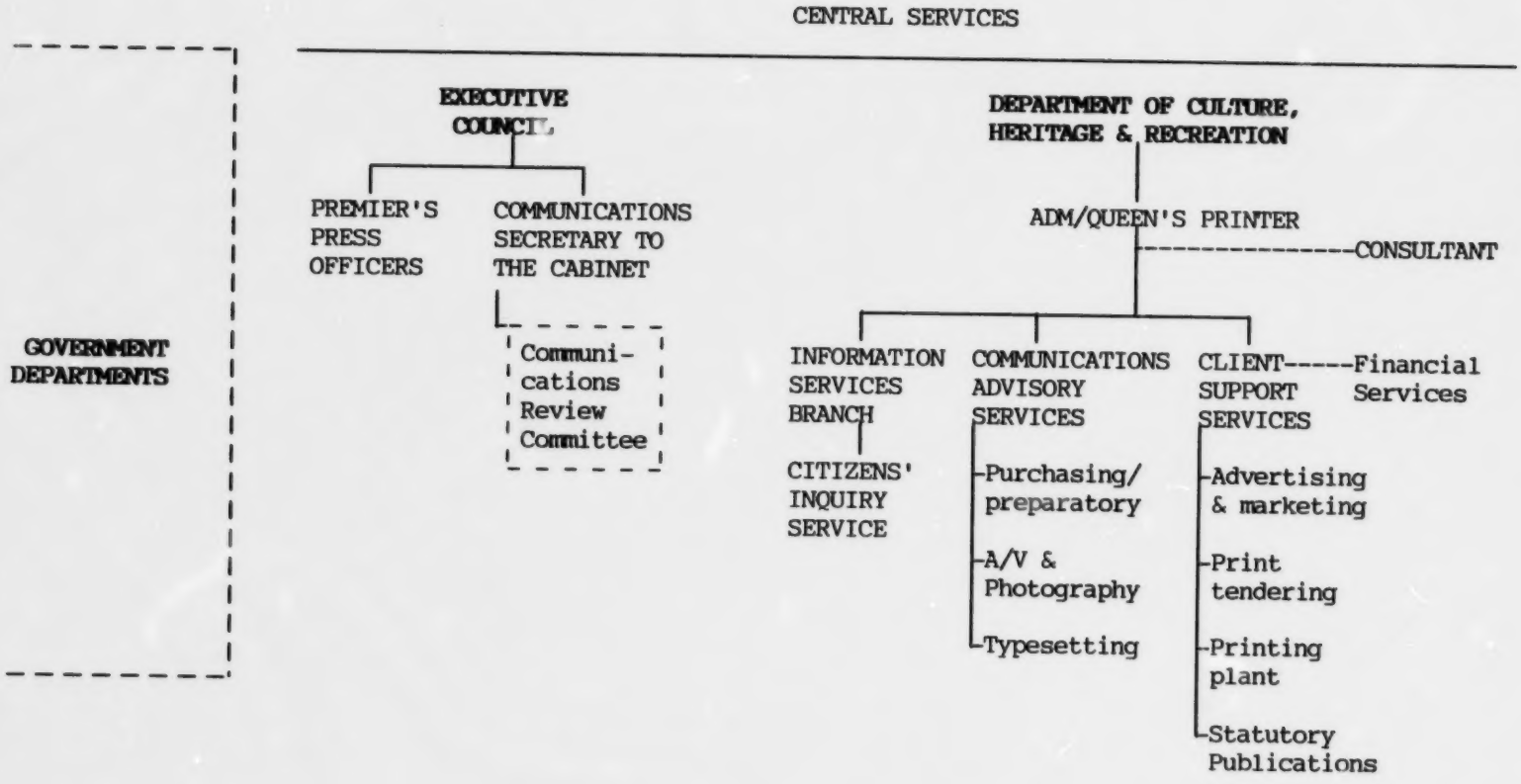
One of the first questions to be answered in this review is "How many people are there in these functions?" While that may seem like a simple question, it is in fact not simple at all, because the way we define our terms can have a significant impact on the way we count the staff and resources devoted to these functions.

For the purpose of this analysis, we have chosen to focus on the people who are mainly concerned with the development of communications strategy and the writing, design and purchasing of communications services and materials. While we will note the presence of the government's printing plant, for example, we have not included that as part of the strategy/creative/purchasing function. Similarly, the central Citizens' Inquiry Service and similar inquiry functions in departments have also been excluded.

Our purpose in doing so is not to remove those functions from scrutiny -- data on each of those functions are easily available -- but rather to focus on the main strategic communications functions of the provincial government.

Consequently, the organizational outline in Figure 1 has been abbreviated, to concentrate to the extent possible on the strategy/creative/purchasing functions in the central services.

Figure 1. The current structure.



(Note: Under the current structure, both Communications Advisory Services and Client Support Services contain some planning/tendering functions, and some which are fee-for-service or production.)

Table 2, on page 12, provides a summary of the number of communications/information personnel in the line departments of government, and Table 3, on page 13, indicates the number of staff in central services.

Please note that the allocations of staff to various categories are based on our own assessment, following the review of Estimates material and interviews; these figures will vary slightly from the official Estimates material.

Since our intent was to focus on the strategy/creative/purchasing functions, it became necessary to divide staff years in some cases. For example, some departmental communications branches share secretarial or administrative services with other branches. Some departmental communications branches have other duties -- the departmental librarian function is a good example.

Thus, the figures in Tables 2 and 3 are based on the assessments described above.

We have estimated that there are, effectively, some 72.6 staff years in the line departments devoted to the communications function, as defined in this report. We have also estimated that the total salaries for those 72.6 staff years would have been approximately $2.8 million in fiscal 1988-89, assuming all positions were fully staffed.

In the case of most government functions, one should be able to estimate the operating costs of those functions, in addition to the salaries. In the case of the communications functions within the departments, an accurate estimate of operating costs is more difficult, because not all departments keep their records in the same way. In some cases, departments include printed material and advertising in the totals for their communications branch; in other cases, the amounts for printing or ad-

Table 2. Distribution of communications/information personnel among Manitoba Government departments (line functions), March 1989.*

Departments/directorates:	Personnel	
	Profes-sional	Admin./ Support
Agriculture	6	4
Industry, Trade & Tourism	7	2
Natural Resources	6	-
Education	4	1
Energy & Mines	3	2
Community Services	3	1
Culture, Heritage and Recreation**	3	1
Employment Services	3	-
Health	3	1
Housing	3	0.5
Labour	2	0.5
Attorney General	2	-
Consumer Affairs & Co-op Development	1.5	1
Northern Affairs	1.5	1
Environment, Workplace Safety & Health	1	1
Highways	1	1
Civil Service Commission	1	-
Finance	1	-
Government Services	1	-
Sports Directorate	1	-
Women's Directorate	1	-
Municipal Affairs	0.6	-
Advisory Council on Status of Women	-	-
Urban Affairs	-	-
Total	55.6	17.0

* The estimates in this table are based on our assessment of staff workloads and allocations; in some cases, staff years indicated in the table represent a net figure based on partial staff years.

** Refers to staffing for the line functions of the department, rather than the central services functions.

Source: Communications Management Inc., based on Estimates material and interviews.

Table 3. Communications personnel in central services functions, Manitoba Government, March 1989.

	Strategy/ creative/ purchasing		
	Profes- sional	Admin./ Support	Other
Executive Council:			
Premier's press officers	3	1	-
Communications secretary to the Cabinet	1	1	-
Department of Culture, Heritage & Recreation:			
Assistant Deputy Minister/ Queen's Printer	1	1	1
In-house consultant	1	-	-
Information Services Branch	4	3	-
Citizens' Inquiry Service	-	-	7
Client Support Services:			
Director and administration	1	-	2
Marketing and advertising	4	-	-
Print tendering	3	-	-
Print shop	-	-	24
Statutory publications	-	-	9
Financial services	-	-	4
Communications Advisory Services:			
Director and administration	1	-	2
Purchasing/preparatory	8	-	-
A/V/Photography	5	-	4
Typesetting	-	-	4
Total in central services	32	6	57

Source: Communications Management Inc., based on Estimates material and interviews; data in the 'Other' category include both professional and administrative support personnel.

vertising are included in the budgets of specific programs and/or other branches.

For that reason, we have not included an estimate (separate from advertising and printing) for the operating costs of the communications branches. However, we would note that provincial officials have estimated that the total spending on communications by all government departments -- including salaries, operating expenses, advertising, printing, audio/visuals, etc. -- will be about $14 million in fiscal 1988-89, or about three-tenths of one per cent of the total provincial budget.

Using the figures in Tables 2 and 3, we can see that the Manitoba government has approximately 88 professional staff years devoted to the strategic, creative, and purchasing aspects of the communications and public information functions. When administrative/support personnel are included, the total comes to 111 staff years -- about 73 within line departments, and about 38 in central services.

Those communications-related staff years account for about seven-tenths of one per cent of the total number of persons in the provincial civil service.

Although we will provide a more detailed description of the functions of the various central services in the next section, one additional point should be noted here. One of the results of the various changes that have occurred over the last few years has been the transfer of a number of production-related functions from line departments to central services.

While it is not possible to make a blanket observation that would cover the situation in every single department, we can note that there has been a trend toward departmental communications staffs composed mainly of people concerned with strategy and creative functions for

their departments, while the production functions have become more concentrated in central services.

CENTRAL SERVICE FUNCTIONS

In this section, we will provide brief descriptions of the current functions of the various branches or offices which make up the central services for communications in the provincial government, generally following the sequence as outlined in Figure 1, on page 10, and Table 3, on page 13.

The **Premier's Press Officers.** The Premier's Office has three press officers, supported by one administrative person. Their function involves the coordination and implementation of the day-to-day message delivery for the Premier and members of the Cabinet.

To facilitate proper coordination, the three press officers have divided the departments up among themselves, with each one being responsible for liaising with a number of departments. They work closely with ministers, with departmental communications directors, and with the Information Services Branch (which handles the actual physical arrangements and the distribution of the information.)

The **Communications Secretary to the Cabinet** is a senior position, at the Deputy Minister level, which reports to the Premier and to the Policy and Communications Committee of Cabinet. The Communications Secretary to the Cabinet has the overall responsibility for long-range planning for the communications function across the provincial government, and for ensuring that the appropriate systems are in place to support the communications goals of the administration.

The Communications Secretary to the Cabinet is also the chairperson of the **Communications Review Committee**

(see Figure 1), which meets to support the functions outlined above. The Communications Review Committee also includes the Assistant Deputy Minister/Queen's Printer (from Culture, Heritage and Recreation), the directors of Client Support Services, Communications Advisory Services, and Information Services Branch, the manager of the Marketing and Advertising section, and a representative of a communications branch in a line department.

The **Assistant Deputy Minister/Queen's Printer** in the Department of Culture, Heritage and Recreation has the overall administrative responsibility for the central communications functions in that department, many of which flow from the requirements outlined in The Public Printing Act. In addition to those communications-related functions, the Assistant Deputy Minister also has responsibility for the government's translation services, for the Legislative Library, and for the Provincial Archives.

The department also has an **in-house consultant**, who performs a number of roles, including arranging professional development seminars for communications staff in line departments, editing a newsletter for departmental communications personnel, and providing general assistance and analysis to communications branches in line departments. This position also provides research and planning assistance to the Assistant Deputy Minister on a variety of departmental matters.

Within **Client Support Services**, there are three functions which relate to strategy, creative, and purchasing for communications. The **Director** has overall responsibility for the branch functions.

The **Marketing and Advertising** section in the branch is the function that used to be called the Advertising Audit Office. It provides marketing and media advice to

departments and crown corporations, and purchases media space and time for departments and crown corporations. In 1987-88, this section processed 2,500 client requests, 13,500 transactions, and purchased media valued at $3.1 million (at net rates). (A much more detailed description and analysis of the advertising purchasing function is contained in Chapter III of this report.)

The **Print Tendering** section in this branch has the responsibility for tendering or allocating printing projects either to private sector printers or to the government's own in-house printing plant. In 1987-88, this section processed in excess of 20,000 requests, for a total printing expenditure of $10.6 million.

Of that total, $8.5 million -- or 80 per cent -- was tendered or allocated to the private sector.

It is important to note at this point that the total printing bill summarized above covers all government requirements, not just the brochures or other material which might be considered part of the communications or public information function.

Within **Communications Advisory Services**, there are also three functions which are relevant to this analysis. The **Director** has overall responsibility for the branch functions.

The **Purchasing/Preparatory** section is responsible for the tendering or allocation of art, design, and layout work for printing; it provides advice to line departments; and it also does some of the work itself on a cost-recovery basis.

The **Audio/Visual & Photography** section coordinates and supplies audio/visual and photography services. A substantial amount of the work by this section is done for the Provincial Archives, which is why the staff in this section has been allocated as it has in Table 3.

(While it is not directly involved in the initiation of strategic or creative plans, we would also note the important role played by the **Financial Services** section, in terms of the administrative support to the other functions, and in terms of assisting efforts to monitor and analyze expenditures.)

LINE DEPARTMENT FUNCTIONS

While the main focus of this report is the central services functions, and our discussions with the line departments focused primarily on their relationships with those central services functions, we would also make some general observations about the communications functions in the line departments. Perhaps the most relevant initial comment would be that those functions vary substantially from department to department.

We have already noted that Agriculture, for example, has some very specific functions related to extension work. Tourism has almost a commercial mandate -- its advertising programs are one of the catalysts that are supposed to drive the multi-million dollar tourism industry.

We were also pleased to find that, in most departments, the communications directors were considered to be part of the department's senior decision-making and planning group -- that they had a role as <u>advisors</u> as well as <u>suppliers</u>.

Having recognized that the departmental communications mandates will reflect the mandate of the departments themselves, we must also observe that the way that data are recorded in each department is inconsistent and not always conducive to good management decision-making. We believe that a more standardized system for tracking communications programs in the departments will be of value to departmental communications managers as well as

to the central services, and we will comment further on this subject in the next section.

ISSUES

Based on our review of material, and our interviews and discussions, we have identified a number of issues that are relevant to the communications functions in the provincial government. A discussion of those issues, and our recommendations, follow in this section.

1. Additional centralization.

We have reviewed the 1987 proposal to have all communications personnel report to a central authority, and then be assigned back to departments. While certain benefits were claimed for that proposal, we believe that a number of disadvantages outweigh the claimed benefits.

We have already noted that government has become more specialized; we believe this specialization requires intimate knowledge of the department on the part of the communications officer. We also believe that a more centralized system would inevitably create a perceived barrier between the communications officer and the department. The communications officer could be perceived as having dual loyalties -- to both the central authority and to the department.

Ultimately, we believe that communications officers should remain with the departments for the same reason we created a departmental structure in the first place -- to focus efforts on the common goals of the departmental mandate.

Recommendation #1. Departmental communications personnel should remain in departments, and should continue to be part of the staff of line departments.

As noted above, in most departments, the communications directors are considered to be part of the senior management team in the department; we believe that that practice should be the case in all departments.

Recommendation #2. Departmental communications directors should report to the Deputy Minister of each department, and should be part of their department's senior management group.

2. Criteria for assessing departmental communications functions.

Having concluded that departmental communications functions should remain within departments, we must still deal with the issue of the criteria for assessing those functions. What is the 'right' number of staff for a particular department? How much should a department spend on a particular communications program?

There is no 'magic formula' available to answer those questions. Ultimately, they are management questions, for which the government must first decide the priority it wishes to assign to particular policies, and then decision-makers within departments must weigh the value of each communications program. But the government can improve the tools it gives itself to help manage the communications function.

We have noted the difficulty in breaking down data for printing in particular, but a more detailed breakdown of all communications-related expenditures would assist in planning and assessing communications activities.

Recommendation #3. More detailed expenditure breakdowns for communications should be done by each line department, to assist in the management process.

3. Advertising planning and purchasing.

While this issue will be dealt with in detail in Chapter III, we are covering it here from the point of view of the relationship between the line departments and that particular central service function.

Generally, the advertising purchasing arm of Client Support Services gets high marks from the departments that use its services. Many departmental communications directors commented on the flexibility and the efficiency of this particular service.

However, as will be outlined in Chapter III, we discovered a problem, in some cases, with respect to advertising planning -- instances in which advertising campaigns were planned, put into production, and then cancelled after substantial preparatory work had been done by outside suppliers. Clearly, this represents a waste of time and money, and should be corrected.

Recommendation #4. More advance planning of advertising campaigns should be encouraged, and should involve senior departmental management and the appropriate central service personnel, in order to reduce the number of changes required once production has started.

4. Design, printing, and audio/visuals.

The central services functions that deal with design, printing, and audio/visuals are split between Client Support Services and Communications Advisory Services, with each branch having some advisory/tendering functions and some production functions which are operated on a cost-recovery basis.

The views of the departmental communications directors about these services are very mixed, with some ind-

icating satisfaction, others finding ways to bypass the system, and others clearly of the opinion that these parts of central services do not function as well as they might.

In part, we attribute some of the mixed feelings to the fact that these functions, in their current structure, have not been in place for as long as the advertising purchasing function. But that only explains part of the problem.

We believe that part of the problem is rooted in the specialized nature of government noted above, part is rooted in the way the guidelines have been set up for handling certain types of requests through central services, and part may be rooted in the current structure of those central services.

The specialization of government means that there will be pressure to publish a much greater number of specific brochures or other types of communications, with each one having a relatively small circulation. In other words, specialization has increased the number of small jobs that have to be processed through the system.

It could also be argued that the tendering procedures have tended to divide the process up in a somewhat arbitrary way -- a separate tendering exercise might be conducted by one section for design or typesetting, and then another tendering exercise might be conducted by another section for the actual printing.

At the same time, the people doing the tendering have to consider whether to use an outside supplier or the government's own in-house capability, which is contained in the same branches or sections.

At the present time, the threshold for tendering a job is $1,500, but that can apply to each of typesetting and printing components of what is in fact one job. Pro-

cedures exist for waivers of tender, with the procedures getting progressively more difficult as the amount in question goes up.

We believe there are a number of steps that might be considered to improve the working relationship between line departments and central services in this area, and those steps could have the added advantage of making it easier for the government to assess the relative costs of using its in-house services or private suppliers for a number of jobs.

This latter point is extremely important, because it touches on the whole question of the potential for 'privatization' of some of the functions currently being performed in-house. For the production functions in particular, we believe the best approach to this issue lies not with some predetermined notion that a particular job is best done in-house or by outside suppliers, but with the creation of the correct structure and management information system, so that a proper comparison of alternatives is always available to management.

With that kind of structure and management information system in place, the government will be able to set the appropriate criteria for making fair and valid comparisons between and among suppliers.

One of the implications of that approach is that the way government treats the costs of its in-house functions will have to be modified, to include factors for benefits and overheads that are not included in the regular Estimates material, so that the in-house functions can be compared more fairly to the private sector alternatives.

There will, of course, always be certain projects which will be handled in-house, for particular reasons of timing or confidentiality, but the criteria for the application of such non-price considerations could be

spelled out in the policies governing the tendering procedures.

To move in this direction, we must begin with a reorganization of certain functions within the Department of Culture, Heritage and Recreation. We believe that the functions currently contained in Client Support Services and Communications Advisory Services should be regrouped, so that all of the advisory/tendering/purchasing functions are in one place, and all of the production-related functions are in another. We would change the names of the branches to the Purchasing Branch and the Production Branch.

Initially, such a change would be 'cost-neutral' -- the same numbers of people would simply be grouped together in a different way. Over the longer term, however, the suggested change will allow a better assessment of the cost-recovery functions. Among the issues which could then be assessed are the cost-allocation question noted above, and the possibility that the production area might evolve into a quasi-autonomous operation that would be required to compete for jobs within the overall tendering system. It should be made clear, however, that such further evolution must first be based on a clear understanding of the actual costs of each function, and a fair method of allocating the indirect costs of the in-house production functions.

The change to clearly-defined Purchasing and Production Branches would also make it easier for line departments to access the central services in question.

At the same time, we would suggest changes in the approach to tendering. While central services are already moving in this direction, we would suggest that, to the greatest extent possible, printing jobs should be considered in their totality at the earliest planning

stage, with all cost components identified. We would also suggest that thresholds for tendering should be made more flexible; a level of $5,000 might be considered as the cut-off, if two important conditions are met:

1. The higher cut-off applies to the total job, including all of the components; and
2. The specifications are agreed upon by both the department and central services.

There is a further question which also must be considered in this context -- desk-top publishing. About 40 per cent of the departments currently either have such systems or have them on order. These systems carry with them a number of implications for how printed material will be prepared in the future, and raise questions of compatibility with similar equipment in central services, and questions of the impact on both the in-house central typesetting function and private suppliers.

Recommendation #5. The functions in Client Support Services and Communications Advisory Services should be regrouped into two new branches -- one devoted to Purchasing, and one devoted to Production.

Recommendation #6. Criteria should be set for cost-allocations that take into account the indirect costs of in-house production functions, so that the management information that flows from the system provides an ongoing, fair assessment of the relative costs and benefits of in-house or outside production.

Recommendation #7. Changes in the approach to tendering print jobs should be considered, including a 'total job' approach and higher thresholds.

Recommendation #8. Plans for the introduction of desk-top publishing systems in line departments and

central services should be reviewed, to ensure compatibility.

5. The monitoring function of central services.

In material prepared by the Department of Culture, Heritage and Recreation, reference is made to the monitoring function of the central services branches. We have also held discussions with staff of the Provincial Auditor's Office on this question.

For purposes of this report, we will define two kinds of monitoring:

1. Monitoring requests from departments to ensure that they meet all of the procedural guidelines set out in the General Manual of Administration or other appropriate directives; and
2. Monitoring performance so that Treasury Board, the Provincial Auditor, and the management of departments can assess whether or not value was received.

The Provincial Auditor's Office has raised concerns that some advertising campaigns had been run in the past without first receiving the required Treasury Board approval for campaigns over $25,000. This is clearly a matter for which clarification should be sought from Treasury Board, in terms of its expectations for central services.

The central services functions, because of their position on the front line of purchasing, have the potential to act almost as extensions of the Treasury Board function, but that is a role that cannot be exercised without clear authority from Treasury Board, and without the assurance that senior management in the government will support such a role.

The second type of monitoring -- the 'value for money' exercise noted above -- could be greatly enhanced by making more organized use of the data on purchasing that can be generated by the central services functions.

To date, the production of such management information has not been as easy as it should be, because of the absence of the appropriate computerized system for the central services branches. We understand that such a data processing system now is planned.

Once in place, that system will make possible not only the more accurate tracking of expenditures, but also a 'benchmark' system of assessing the spending on various components of the communications process. For example, certain sizes of publications, or certain types of audio/visuals may be common in a number of departments, although the content will obviously differ from department to department. By tracking all jobs of a similar nature across all government departments, the central services branches can then identify those that deviate from the norm, and focus on those for review by the management of central services and line departments.

Recommendation #9. The relationship between central services and Treasury Board requires clarification, to determine the degree to which Treasury Board is prepared to regard part of the central services function as an extension of its own mandate for reviewing departmental expenditures.

Recommendation #10. With the likely introduction of a computerized tracking system for central services in the near future, every effort should be made to have revised structures and procedures in place in time to be incorporated into the new tracking system as it is introduced.

6. Other organizational changes.

We have dealt to this point with a number of procedural and structural changes which we believe will improve the function of central services in the Department of Culture, Heritage and Recreation, and which also have the potential to improve the working relationships between those central services and the line departments.

We have also given some consideration to the working relationships between and among the communications staff in the Executive Council, the other central services, and the line departments.

After the initial uncertainty which may accompany any new system, the system used by the Premier's press officers for coordinating departmental news releases appears to be working well.

We also believe that the long-range planning and coordinating role of the Communications Secretary to the Cabinet makes a great deal of sense, and that the Communications Review Committee can be a useful vehicle for providing input to the process, as well as for ensuring the practical implementation of the long-range plans that are developed.

At present, the Communications Review Committee is chaired by the Communications Secretary to the Cabinet. While that arrangement is working well, consideration might also be given to having that committee chaired by the Assistant Deputy Minister/Queen's Printer, with the Communications Secretary to Cabinet remaining a member.

In our discussions with departmental communications directors, we found considerable support for a program of regular meetings on a variety of subjects. To accomplish that goal, and to broaden the input into the overall planning process, we would suggest that the Communications Secretary to the Cabinet should have the respons-

ibility for chairing regular meetings of departmental communications directors.

We have noted two functions in the Department of Culture, Heritage and Recreation that have a number of working links with both the Executive Council and the line departments -- the Information Services Branch and the in-house consultant position.

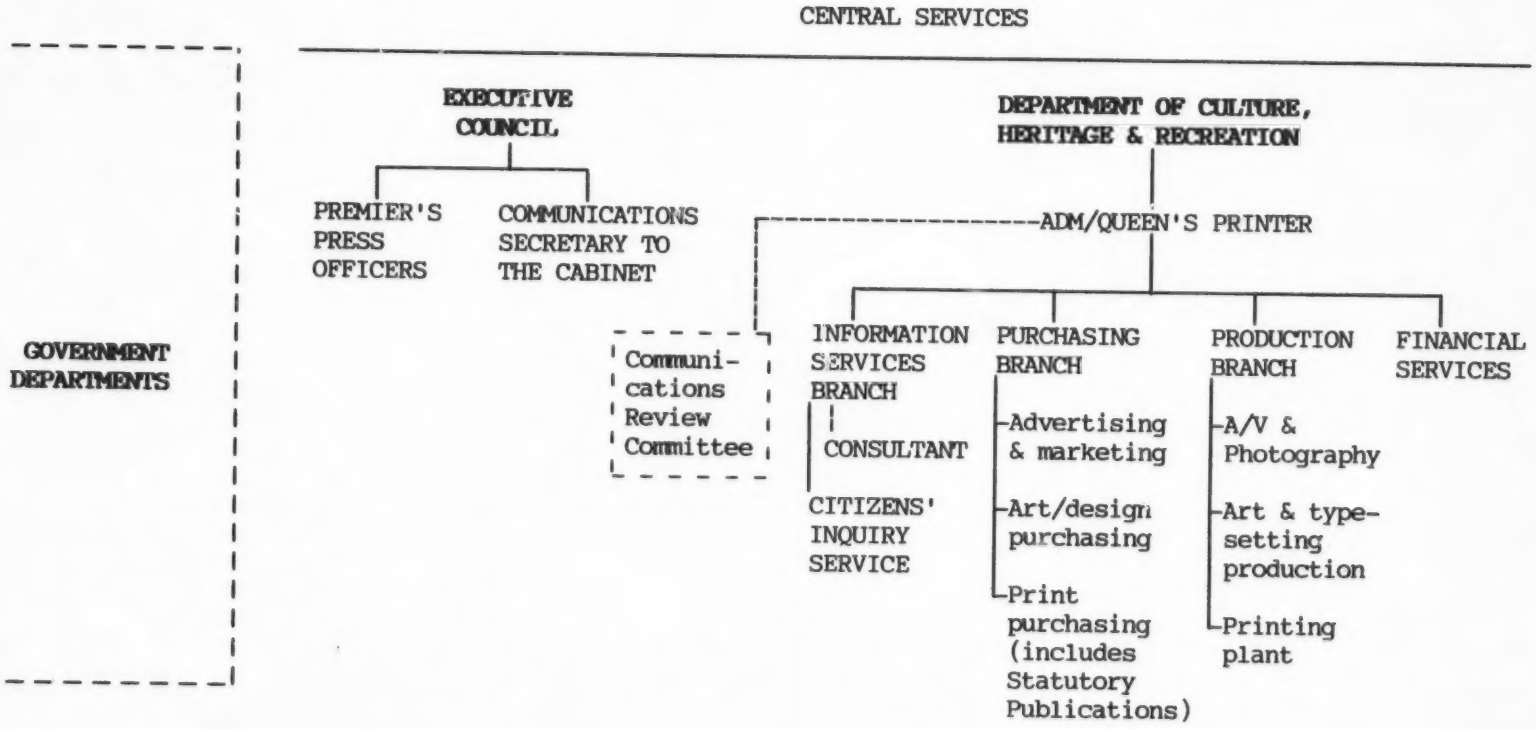
With a relatively modest organizational change, and a modest reallocation of duties, we believe it is possible to build on the current working relationships to provide an important enhancement to the overall government communications system -- to create a built-in back-up support mechanism to meet special communications needs that may arise.

The suggested structural change would involve moving the in-house consultant position so that it would have a closer working relationship with the Information Services Branch. In a manner that is consistent with their current duties, we would then view the roles of the director of the Information Services Branch and the in-house consultant as also providing additional support to line departments.

> **Recommendation #11.** The in-house consultant position in the Department of Culture, Heritage and Recreation should have a closer administrative and working relationship with the Information Services Branch, and those functions should also be regarded as providing additional support to line departments.

Consistent with that recommendation, consideration might then be given to having the in-house consultant position absorbed into the Information Services Branch, within the context of the functions outlined above.

Figure 2. The proposed structure.



(Note: Under this proposed structure, the planning and tendering functions are concentrated in Purchasing, and the fee-for-service/production functions are in the Production Branch.)

The organizational structure that would result from the implementation of Recommendations #5 and #11 is illustrated in Figure 2, on page 30. This proposed structure can be compared to the current structure by referring to Figure 1, on page 10.

If we refer back to page 8, in our brief history of the evolution of the communications function in the Manitoba Government, we noted the three rationales that were given for the proposed centralization that was being contemplated in late 1987.

They were:

1. To provide greater coordination of message and spending;
2. To provide greater flexibility in terms of moving information personnel across departmental lines as required and
3. To save money.

We believe the recommendations in this report can provide an organizational structure and management information system for communications that will meet the same goals without the need to have all functions reporting to one central authority. We believe that it is possible to achieve a balance between central service functions and line functions.

The proposed structure, and the procedural recommendations, in this report, will provide coordination without centralization, and will also lead to a management information system better able to identify areas of potential saving. And the flexibility to meet special or unexpected communications requirements can come from using the Information Services Branch as support to departments on those occasions.

III. ADVERTISING PURCHASING

As requested by the Department of Culture, Heritage and Recreation, we have done a detailed analysis of the current system used for purchasing advertising on behalf of government departments and crown corporations.

The current Manitoba Government advertising purchasing system may be characterized as one which uses in-house media buying, and fees as the method of compensation for the outside advertising agencies which do the planning and creative work.

We have reviewed the procedures used in the current system, and we have also reviewed the costs and benefits of the current system and compared them to alternative systems that might be considered.

INDUSTRY TRENDS

In this section, we provide a very brief overview of some of the trends and some of the terms that are relevant to the question of advertising purchasing.

For many years, the most common system for 'national' advertisers involved the use of advertising agencies to create and place those advertisements in the media. The media commonly allowed a 15 per cent discount or commission to recognized advertising agencies.

(This standard agency commission or discount is separate from the discounts for volume, frequency, or prompt payment, which are offered by some media.)

Under this system, if the published rate for a unit of space or time was $1.00, the client would pay the $1.00 to the ad agency, but the ad agency would only forward 85 cents to the media, retaining the balance as its compensation.

The published rate paid by the client was commonly referred to as the 'gross' rate, and the amount actually forwarded to the media (the 85 per cent) was commonly referred to as the 'net' rate.

For production work, or other non-commissionable expenditures, ad agencies would commonly mark-up the work by 17.65 per cent -- in other words, they would treat such expenditures as 'net', and mark them up to achieve the same ratio of net-to-gross as used for the media.

Over the last 20 years, however, that traditional system has undergone considerable change, as advertisers and ad agencies have sought to develop economic arrangements and procedures which better reflect effort and value.

It was argued, for instance, that while the commission system was simple to administer, it did not recognize the actual work done on a particular campaign -- an agency might have to work just as hard on an ad to appear in a low-cost medium as in a high-cost medium, yet the compensation would be tied to the media rates.

By 1986, a survey conducted by the Association of National Advertisers in the U.S. found that more than half of the national advertisers were no longer using the traditional 15 per cent commission to compensate their advertising agencies.

This trend was confirmed in a recent article in the U.S. trade publication, Advertising Age, dealing with the impact on ad agencies of a possible increase in the rate of inflation.

The article, in the April 3, 1989, edition, noted:

> "The way agencies are run has changed markedly since the last round of high inflation. Chief among the changes has been a shift in compensation to fixed fees instead of ... commissions."

The trend toward fees as a method of agency compensation has also occurred in Canada.

Those fees might be fixed fees, negotiated as required, or they might be hourly fees, based on the actual time spent on a project by specific ad agency personnel. Under the fee system, the agency commonly credits the 15 per cent media commission to the client.

There have also been a number of variations on the system of media buying itself. In some case, advertisers have appointed an agency-of-record (or AOR), or used a media buying service, with the AOR or buying service compensated on the basis of either a commission or a fee.

A number of major advertisers, in both Canada and the U.S., have established in-house media buying offices, in combination with either fees or a reduced commission for the outside ad agencies that continue to do the creative work.

Thus, from a fairly common and traditional approach 20 years ago, the North American advertising industry has evolved to the point where many different combinations of methods of media buying and methods of compensation are in use today.

Regardless of which system is used, however, most practitioners agree that a strong coordinating role on the part of the client is necessary to make the system work effectively.

THE SYSTEMS USED BY THE FEDERAL AND ONTARIO GOVERNMENTS

Both the federal and Ontario governments use media buying systems which separate media buying from the planning and creative work done by the ad agencies for their various departments.

The federal government uses a media buying service, which is paid a fixed fee for media buying up to $30 mil-

lion and then a commission of 2.00-2.25 per cent for amounts above $30 million. The planning/creative ad agencies receive 12.5 per cent for their work.

Generally, if a planning agency works on a campaign which is then cancelled before it is run, that ad agency would not receive any compensation, although the federal government has apparently made exceptions to that rule in a limited number of cases.

Currently, the Ontario Government uses an agency-of-record, which purchases media for a commission of 1.8 per cent; when departmental and crown corporation spending are combined, the Ontario Government's AOR would handle in excess of $30 million in media purchased annually.

Planning agencies for Ontario government departments generally receive a 12.75 per cent commission, but there is room in the Ontario system to modify that compensation to include some fee elements. If a planning agency works on a campaign which is cancelled before it is run, compensation might be negotiated with the appropriate ministry.

(Ontario is planning to make some changes to its system in October 1989 -- the current private AOR will be replaced by a private media buying service, which will receive a 2.5 per cent commission for media placement; planning ad agencies will receive 12.5 per cent.)

Thus, both the Ontario and federal systems can be characterized as systems which are mostly commission-based, and which use outside media buyers separate from the departmental ad agencies.

THE CURRENT MANITOBA SYSTEM

As noted above, the current Manitoba Government advertising purchasing system has been in effect since 1973. It was first called the Advertising Audit Office,

and now is called the Marketing and Advertising section in the Client Support Services branch of the Department of Culture, Heritage and Recreation. The office operates under the authority of The Public Printing Act.

The office has a staff of four, which is basically the same number of staff as the office had in 1973.

At the same time as it introduced the media buying office, the provincial government adopted a system of fee compensation for the ad agencies which have continued to do the creative and planning work for their client departments. The ad agencies are paid on the basis of hourly fees for the specific functions used for each account.

All department and crown corporation advertising is placed through the media buying office, in order to achieve the best possible volume and frequency discounts. Those discounts were worth $140,000 in 1987-88. The media buying office is also able to pay media quickly enough to take advantage of prompt payment discounts offered by some media; those prompt payment discounts were worth $30,000 in 1987-88.

Up to March 31, 1984, the government's media buying office paid the media and production invoices for all departments and crown corporations, and were reimbursed by them. After April 1, 1984, crown corporations took over the direct payment of their invoices (although the media buying office still did the media placement). After April 1, 1985, government departments took over direct payment of invoices for production work.

While those changes did not appear to have any major effect on the efficiency of purchasing or the bill-paying functions, they did make it more difficult to produce the kind of management information necessary to track and manage the system. We will comment further on this subject in a later section.

KEY ISSUES

The two key issues to be addressed in this analysis are:

1. Whether the compensation system for ad agencies working for the Manitoba government should be fees or commissions; and
2. Whether the method of purchasing should be through the current in-house media buying office, or through an outside agency-of-record or media buying service.

As noted above, those are two separate issues, since either method of compensation can be used in combination with either method of purchasing.

Our analysis of those issues will, of course, focus on comparing the costs associated with each system. But direct costs are not the only issue.

An additional important issue is the question of the fairness of the compensation system to outside suppliers. For example, if some government departments use an outside ad agency to prepare a campaign, and then cancel that campaign before it is run, for reasons other than the ad agency's performance, is it fair that the ad agency should receive no compensation because no media expenditures were incurred?

General management issues are also important. The advertising purchasing system is, in fact, part of a total system that has to meet a complex set of goals, rather than just the single function of media buying. As noted in Chapter II, central service purchasing functions can be regarded, to a degree, as an extension of the Treasury Board mandate to control expenditures.

While the government must always monitor the cost of media buying and ad agency compensation, those questions must also be put into the context of total spending.

For example, if media buying costs are fixed, an evaluation of those costs as a percentage of total media spending might produce the wrong criteria for management decision-making. Under that kind of arrangement, if media costs rose dramatically, the percentage represented by the fixed cost of media buying would be quite low; if the media buying operation helped to restrain media costs, then its own costs would be a higher percentage of total media spending, even though it had helped to save a substantial amount of money.

Thus, in evaluating any media buying system, and comparing the costs of alternative systems, we must always be clear about the degree to which media buying is to be regarded as simply a passive purchasing function, and the degree to which the media buying function is to be tied into a more active role in managing those expenditures.

A REVIEW OF RECENT EXPENDITURES

Table 4, on page 39, presents a general summary of the Manitoba Government's expenditures on media and production for two fiscal years -- 1986-87 and 1987-88. Since the media and production purchases were made at the 'net' rate, we have also indicated what those expenditures would have represented at the 'gross' rate. The difference between the gross and net rates is, of course, the commission.

On the basis of the figures in Table 4, we can calculate that, had the government used the commission system and outside media buying in 1987-88, the commission cost would have been $678,400.

The next step is to compare those hypothetical commissions with the fees actually paid and with the actual cost of the media buying office.

Table 4. Summary of spending on media and production by Manitoba Government departments and crown corporations*, 1986-87 and 1987-88 (in $'000).

	1986-87	1987-88
Media (at net rates):		
Government departments	1,947.6	1,911.7
Crown corporations	946.3	1,189.2
Total media	2,893.9	3,100.9
Production (at net)	597.5	743.4
Total (at net)	3,491.4	3,844.3
Gross (net x 1.1765)	4,107.5	4,522.7

* 'Crown corporations' includes government boards and commissions.

Source: Client Support Services; compiled by Communications Management Inc.

In order to make such a comparison in a fair manner, one has to focus on fees that were paid for items that would have been covered by the commission in the alternate system, and exclude fees for items that would not have been covered by the commission.

The fee totals reported to Client Support Services include the fees for everything -- advertising-related work, work in relation to printing, public relations services, and some out-of-pocket expenses.

We therefore asked Client Support Services and the departments and crown corporations with major expenditures to provide additional breakdowns of the fees paid to advertising agencies in the 1987-88 fiscal year.

The results of this analysis appear in Table 5, on

page 41. While the figures in Table 5 will provide the basis for our comparison of fees and commissions, they also provide other important information on the management of the advertising function by the provincial government in 1987-88.

First, the allocation of fees to various categories. Using the information provided to us, we began by breaking the fees down according to whether they related to the fiscal year in question, since, under a fee system, compensation for creative work in one fiscal year may actually relate to a media campaign run in the next fiscal year.

We then did further breakdowns, to the extent possible, into the categories shown in Table 5. Of the total of $774,800 paid in fees to ad agencies for all purposes in 1987-88, we were unable to come up with a precise allocation for $86,800. In developing a fee estimate for the items that would have been covered by media commissions, therefore, we added in 50 per cent of that unallocated amount.

Thus, excluding non-advertising-related fees, and excluding fees for advertising campaigns which were created but cancelled, our estimate of the fees which can reasonably be compared to the commission alternative is $402,400 in 1987-88.

We are concerned about the very high level of fees (some $86,500) paid in 1987-88 for the creation of campaigns which were then cancelled. Production costs were also likely incurred for those 'false starts'. This represents an unacceptable lack of planning for advertising in those departments or crown corporations where the campaigns were cancelled so late in the process.

Yet the fact that we are able to focus on this issue does raise some important points about the way the com-

Table 5. Fees paid to advertising agencies by Manitoba Government departments and crown corporations*, by purpose and applicability to fiscal year, 1987-88 fiscal year (in $'000).

	Govt. Depts.	Crown Corps.	Total
Fees directly related to advtg. & production:			
·For campaigns which ran in fiscal year	233.1	125.9	359.0
·For campaigns created but not run	29.6	56.9	86.5
·For campaigns for following fiscal year	58.0	-	58.0
Sub-total	320.8	182.8	503.5
Fees related to printing	51.3	47.4	98.7
Public relations fees	37.0	-	37.0
Fees for market research, logo design & related	-	26.1	26.1
Fees for non-advtg. services for next fiscal year	22.7	-	22.7
Unallocated	81.6	5.2	86.8
Total fees	513.3	261.5	774.8
Fee estimate for purposes of comparison:			
·Fees for advtg. & prod. which ran in fiscal year	233.1	125.9	359.0
·Plus: 50 per cent of 'unallocated'	40.8	2.6	43.4
Fee estimate	273.9	128.5	402.4

* 'Crown corporations' includes government boards and commissions.

Source: Client Support Services, selected departments and crown corporations; compiled by Communications Management Inc.

pensation system impacts on the question of fairness and the question of management.

The fact that those campaigns were cancelled so late in the process was not usually the fault of the ad agency; it was related more often to decisions by senior managers, boards, or even Cabinet ministers. In those circumstances, would it have been fair not to compensate the ad agencies in question?

We would also note that it is this analysis of the fee system which has made it possible to focus on that particular problem. However, such analyses should not only occur on those infrequent occasions when a consultant is brought in; this type of management information should be part of the regular output of the advertising purchasing function in central services.

The ad agencies should be required to break their fees down in a manner that lends itself to job-related analysis, and the central services function should use those fees to produce management information on a regular basis. We have already noted, in Chapter II, that the central services will soon have access to a computerized job tracking system; to the extent that fees remain the method of compensation, then detailed information on those fees should be part of the tracking system.

If we return to the question of the level of fees which can fairly be compared with the commission alternative -- $402,400 in 1987-88 -- we can see that those fees came to 8.9 per cent of the total (gross) for media and production. That is substantially less than the more than 12 per cent paid to planning ad agencies under the Ontario or federal systems.

If we subtract those fees from the hypothetical commission that would have been available in 1987-88, we get the following equation:

Available commission	$ 678,400
Less: comparable fees	$ 402,400
Balance available	$ 276,000

Obviously, the cost of operating the government's media buying office has to be taken out of the 'balance available', and we will deal with that question in the next section. We would note, however, that the cost of running the media buying function is less than the 'balance available' indicated above.

On the basis of the analysis to this point, we believe the Manitoba Government should continue to use the fee system as the method of compensating its advertising agencies. While the analysis has indicated a saving in dollar terms, we believe there are additional advantages to the fee system, in terms of fairness and in terms of the ability to track fees as a management information tool.

Recommendation #12. The Manitoba Government should continue to use the fee system as the method of compensating its advertising agencies.

Recommendation #13. The Manitoba Government should require fee invoices to be organized in a way that allows the detailed tracking of fees by function and campaign, and that information should be incorporated into the computerized tracking system planned for central services.

THE MEDIA BUYING FUNCTION

As noted above, the general coordination of advertising, and the media buying function, are contained within the Marketing and Advertising section of the Client Support Services branch in the Department of Culture, Heritage and Recreation.

The section has a staff of four.

There are two ways of assessing the costs of this section to the government. In the traditional approach, as used in the Estimates review process, the direct salaries and operating expenses are indicated for a particular function. On that basis, the estimated cost of this function for fiscal 1988-89 would be $138,600.

However, it is also fair to note that those direct costs do not include all benefits and overheads, in a manner more consistent with the way costs might be calculated in the private sector. Working with Client Support Services, we have come up with an estimate of the cost of this function including allocations for benefits and overheads; that estimate comes to $181,500 for the 1988-89 fiscal year.

We can see that each of those estimates is well below the 'balance available'. The margin in favour of the Province is either $137,400 or $94,500, depending on which cost estimate is used for the Marketing and Advertising section. (While we have mixed the section's cost estimates for 1988-89 with the fee/commission estimates for 1987-88, we do not believe we have introduced any significant distortions by doing so; if anything, the costs of running the section would likely have been slightly lower in 1987-88.)

Thus, we can conclude that the combination of internal costs and external fees is more advantageous to the Province than if it were using the commission system.

However, that does not mean that the purchasing function should be exempt from scrutiny, or comparison with other alternatives, provided the fee that might be paid for other purchasing systems compares favourably to the current costs.

The first thing we have to do to make that assess-

ment is to estimate which parts of the Marketing and Advertising section deal with media buying, and which parts deal with the coordinating role that would still be required (for management and statutory reasons) regardless of who did the media buying.

We estimate that the cost of the coordinating function would be approximately $60,000 on the direct cost basis, or about $80,000 on the allocated cost basis. If we use the higher figures, that would mean that the estimated cost of the media buying function within the section -- the function that might be performed by an agency-of-record or media buying service -- would be about $100,000.

As a percentage of the grossed-up media expenditures in 1987-88, that works out to about 2.7 per cent.

While that is slightly higher than the percentages paid for media buying by the Ontario and federal governments, we would note that the dollar volume of media buying for those two governments is substantially higher than the dollar volume for the Manitoba Government.

As noted above, the media buying section processed about 13,500 transactions in 1987-88. Table 6, on page 46, indicates the distribution of Manitoba Government media spending, by medium and location. As we can see, the bulk of the spending was in print media and in Manitoba.

Thus, the media buying requirements of the Manitoba Government are made up of a large number of relatively small orders, primarily concentrated in Manitoba. That is an administrative reality that any private sector bidder would have to take into consideration when assessing the possibility of handling the media buying.

From the government's point of view, there are a number of important factors to keep in mind if it wants

Table 6. Distribution of Manitoba Government department and crown corporation advertising spending, by medium and location, 1987-88 (in $'000).

	Govt. Depts.	Crown Corps.	--Total-- ($'000)	%
Newspapers	**1,194.0**	**679.7**	**1,873.7**	**60.4**
Manitoba dailies	588.5	403.9	992.4	32.0
MB weeklies & ethnic	319.7	163.4	483.1	15.6
Can., outside Man.	102.4	111.8	214.2	6.9
U.S.A.	183.4	0.6	184.0	5.9
Radio	**232.0**	**217.4**	**449.4**	**14.5**
Manitoba	161.8	217.4	379.2	12.2
Can., outside Man.	36.7	-	36.7	1.2
U.S.A.	33.4	-	33.4	1.1
Television	**190.6**	**184.3**	**374.9**	**12.1**
Manitoba	87.9	184.3	272.2	8.8
Can., outside Man.	-	-	-	-
U.S.A.	102.6	-	102.6	3.3
Magazines	**265.6**	**65.3**	**330.9**	**10.7**
Outdoor/Transit	**5.8**	**42.5**	**48.3**	**1.6**
Other/unallocated	23.7	-	23.7	0.8
TOTAL	**1,911.7**	**1,189.2**	**3,100.9**	**100.0**
Geographical distribution:				
Manitoba	1,349.6	1,057.2	2,406.8	77.6
Can., outside Man.	218.8	131.4	350.2	11.3
U.S.A.	319.4	0.6	320.0	10.3
Other/unallocated	23.7	-	23.7	0.8
Total	1,911.7	1,189.2	3,100.9	100.0

Source: Client Support Services; compiled by Communications Management Inc.

to consider transferring the media buying function to an outside agency-of-record or media buying service. Those factors include:

1. The cost parameters outlined above;
2. The number of firms, with offices in Manitoba, with the capabilities to do the job, so that there is meaningful competition;
3. The need to ensure that volume discounts and prompt payment discounts (which totalled $170,000 in 1987-88) will still be realized;
4. Some assurance that an initial low bid by an outside supplier will not be followed in subsequent years by substantial cost increases; if the in-house media buying function is dismantled, it can not easily be re-established if alternate arrangements prove more costly than anticipated.

Unlike the fee-versus-commission question, there is no clear answer to the question of whether or not the Manitoba Government should move to an outside supplier for media buying, given the cost parameters and the nature of the media buying outlined above. The relationship between the advertising volumes and the dollars available to pay for the media buying function appears to put this question into a 'grey area', in which a clear answer will only emerge after a more detailed analysis based on the tracking systems outlined above. For that reason, we are not recommending that the provincial government should enter into a formal tendering process for this function at this time.

However, we believe it would be useful for the government to hold informal discussions with potential private suppliers, using the data contained in this report, to assess cost estimates and other proposals against the

parameters and concerns noted above, and to receive input on items that might make the tracking system more effective.

> **Recommendation #14.** Provincial government officials should hold informal discussions with potential private suppliers of media buying services, using the data in this report, to assess cost estimates and other proposals against the parameters and concerns outlined in this report, but should stop short of a formal tendering process for this function at this time.

ADVERTISING AGENCY SELECTION

One of the more contentious issues that governments have had to face with respect to advertising has involved the selection of the advertising agencies to work on the departmental campaigns.

Clearly, it would be desirable if that selection process could be as free of political patronage as possible.

A selection process involving representatives of the client department and central services is a common way of assessing presentations from advertising agencies, but regardless of the review process, government ad agency assignments sometimes get concentrated among a small number of advertising agencies.

In 1987-88, we found that the fees paid to advertising agencies by the Manitoba Government were highly concentrated, with one advertising agency receiving more than 70 per cent of the total. The fee totals and number of advertising agencies are summarized in Table 7, on page 49.

We believe that such concentration of business with

Table 7. Concentration of advertising agency fees paid by Manitoba Government departments and crown corporations, fiscal year 1987-88.

Cumulative number of ad agencies	Cumulative total fees (in $'000)	Percentage of total
1	546.3	70.5 %
2	672.4	86.8 %
3	728.8	94.1 %
4	749.1	96.7 %
5	762.6	98.4 %
6	774.8	100.0 %

Note: Total fees are indicated here, whether for advertising-related work or for other projects.

Source: Client Support Services; compiled by Communications Management Inc.

a single advertising agency does not serve the long-term interests of either the government or the ad agency.

However, we believe the answer to the problem does not lie solely with a set of rules about the amount of business an ad agency may receive from the provincial government; rather, we believe the answer also lies in focusing public scrutiny on the issue on a regular basis.

Part of the data included in Table 7 was likely published in the provincial Public Accounts; but Public Accounts does not include figures for crown corporations, and its data are not arranged in a way that allows easy comparisons. We would therefore make this recommendation:

Recommendation #15. The Department of Culture, Heritage and Recreation should include in its annual report a statistical review of fees paid to advertising agencies by Manitoba Government departments and crown corporations.

IV. SUMMARY OF RECOMMENDATIONS

This chapter presents a summary of our recommendations, with reference to the page in the text where the recommendation appears.

Recommendation #1. (page 19)

Departmental communications personnel should remain in departments, and should continue to be part of the staff of line departments.

Recommendation #2. (page 20)

Departmental communications directors should report to the Deputy Minister of each department, and should be part of their department's senior management group.

Recommendation #3. (page 20)

More detailed expenditure breakdowns for communications should be done by each line department, to assist in the management process.

Recommendation #4. (page 21)

More advance planning of advertising campaigns should be encouraged, and should involve senior departmental management and the appropriate central service personnel, in order to reduce the number of changes once production has started.

Recommendation #5. (page 25)

The functions in Client Support Services and Communications Advisory Services should be regrouped into two new branches -- one devoted to Purchasing and one devoted to Production.

Recommendation #6. (page 25)

Criteria should be set for cost-allocations that take into account the indirect costs of in-house production functions, so that the management information that flows from the system provides an ongoing, fair assessment of the relative costs and benefits of in-house or outside production.

Recommendation #7. (page 25)

Changes in the approach to tendering print jobs should be considered, including a 'total job' approach and higher thresholds.

Recommendation #8. (page 25)

Plans for the introduction of desk-top publishing systems in line departments and central services should be reviewed, to ensure compatibility.

Recommendation #9. (page 27)

The relationship between central services and Treasury Board requires clarification, to determine the degree to which Treasury Board is prepared to regard part of the central services function as an extension of its own mandate for reviewing departmental expenditures.

Recommendation #10. (page 27)

With the likely introduction of a computerized tracking system for central services in the near future, every effort should be made to have revised structures and procedures in place in time to be incorporated into the new tracking system as it is introduced.

Recommendation #11. (page 29)

The in-house consultant position in the Department

of Culture, Heritage and Recreation should have a closer administrative and working relationship with the Information Services Branch, and those functions should also be regarded as providing additional support to line departments.

Recommendation #12. (page 43)

The Manitoba Government should continue to use the fee system as the method of compensating its advertising agencies.

Recommendation #13. (page 43)

The Manitoba Government should require fee invoices to be organized in a way that allows the detailed tracking of fees by function and campaign, and that information should be incorporated into the computerized tracking system planned for central services.

Recommendation #14. (page 48)

Provincial government officials should hold informal discussions with potential private suppliers of media buying services, using the data in this report, to assess cost estimates and other proposals against the parameters and concerns outlined in this report, but should stop short of a formal tendering process for this function at this time.

Recommendation #15. (page 49)

The Department of Culture, Heritage and Recreation should include in its annual report a statistical review of fees paid to advertising agencies by Manitoba Government departments and crown corporations.